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NSC BRIEFING NOTES
WESTERN DIVISION
12 April 1954

IMPASSE WITH ICELAND OVER 1951 DEFENSE AGREEMENT

- I. A serious impasse with Iceland over the American base there
- A. Jeopardizes the negotiations, now in their fifth month, for revision of the implementation of the 1951 Defense Agreement.
- B. Raises danger of Agreement itself being denounced by Iceland.
- II. Icelandic government, in response to strong anti-foreign political pressure, is seeking
- A. Various measures to reduce contacts between Icelanders and the 3,900 American troops.
- B. Gradual elimination of the American prime contractor (Metcalf Hamilton Corp) and the several hundred American civilian construction workers--Icelandic contractors to take over the job.
- III. Foreign Minister Gudmundsson takes grave view of situation
- A. Considers it important to make a ^{definitive} statement to parliament before it adjourns for Easter on 14 April/
1. ^{He} Cut short a Scandinavian tour with President Asgairsson to return to Reykjavik.
- B. Compromise on the contractor issue seemed in sight on 10 April

IV. Failure of Gudmundsson to make a satisfactory announcement before parliament adjourns could cause fall of the Conservative-Progressive coalition.

A. All political parties, very sensitive about impact of American troops on Iceland's inbred culture and society; no Icelandic politician can afford to adopt "unpatriotic" view.

B. The Communists, who control 7 seats in the 52 mandate parliament and enjoy the support of 16.5 of the electorate, would exploit any attack on the government.

C. Iceland now less concerned than previously over its ties with the West:

1. Political fears reduced by general relaxation of East-West tensions
2. Economic dependence on West reduced by the conclusion of a two-year trade agreement with the USSR on 1 August 1953.

V. Any successor to the present government would be committed to take a strong line on the base issue.

A. It would refer the 1951 bilateral agreement to the North Atlantic Council for recommendation.

1. The two governments would then be given 6 months to reach an understanding
2. If no understanding were reached, Iceland could then declare the agreement abrogated at the end of 12 months.

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3. In any event, the value of the base would obviously be impaired in the meantime.

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